

## Message Text

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ACTION TRSE-00

INFO OCT-01 EA-10 ISO-00 NEA-10 IO-13 L-03 H-01 PA-01  
SP-02 ICA-11 AID-05 EB-08 NSC-05 SS-15 STR-07  
OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-10  
NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01 AGRE-00 /117 W  
-----067498 271004Z /10

P 270930Z APR 78

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 4917

INFO AMEMBASSY RANGOON PRIORITY

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FOR NAC AGENCIES

EO 11652: N/A

TAGS: EAID, EFIN, ADB, BM

SUBJECT: TECHNICAL ASSISTANCE TO BURMA FOR THE SECOND  
RICE PROCESSING INDUSTRIES PROJECT (BURMA)

KS TTD

SUMMARY: ON APRIL 14, 1978 THE PRESIDENT APPROVED A  
TECHNICAL ASSISTANCE GRANT TO BURMA FOR THE SECOND RICE  
PROCESSING INDUSTRIES PROJECT IN THE AMOUNT OF 95,000  
DOLLARS. A TOTAL OF 10 MAN MONTHS (MM) OF CONSULTANT  
SERVICES WILL BE REQUIRED FOR THE STUDY. THE GOVERNMENT  
HAS AGREED TO FINANCE 12,000 DOLLARS IN LOCAL CURRENCY  
COSTS FOR THE TA. THE PROPOSED PROJECT WHICH IS EXPECTED  
TO EMERGE FROM THE TA COVERS THE NEXT PHASE OF THE GOVERN-  
MENTS LONG-TERM DEVELOPMENT PROGRAM IN THE RICE PROCESSING  
INDUSTRY. THE PURPOSE OF THE TA, THEREFORE, IS TO DESIGN  
A PROGRAM TO REHABILITATE AND EXPAND THE RICE PROCESSING  
INDUSTRY IN THE COUNTRY IN THE MOST COST EFFECTIVE WAY  
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POSSIBLE. THE PROJECT THAT MAY BE FORMULATED UNDER THE  
TA IS TENTATIVELY ESTIMATED TO HAVE A FOREX COMPONENT OF  
ABOUT 20 MILLION DOLLARS. FIELD WORK ON THE TA IS  
SCHEDULED TO COMMENCE ABOUT MID-JULY AND COMPLETED ABOUT  
MID-OCTOBER 1978. THE FINAL REPORT IS EXPECTED IN LATE  
NOVEMBER. END SUMMARY.

1. ADB DOC R35-78 DESCRIBING THE PROPOSED TA GRANT WAS POUCHED ADDRESSEES APRIL 27, 1978. THE GRANT WAS UNDER 100,000 DOLLARS, THEREFORE, THE PRESIDENT APPROVED THE PROPOSAL WITHOUT FORMAL BOARD DISCUSSION.

2. ADB MANAGEMENT APPROVED 95,000 DOLLARS TO BURMA TO FINANCE THE FOREX COSTS OF CONSULTANT SERVICES FOR A STUDY OF ITS RICE PROCESSING INDUSTRY. THE TA GRANT WILL FINANCE THE COST OF FOUR EXPERTS FOR A TOTAL OF 10 MM. THE EXECUTING AGENCY IS THE AGRICULTURAL FARM PRODUCT TRADE CORPORATION (AFPTC), A STATE OWNED CORPORATION UNDER THE MINISTRY OF TRADE.

3. AGRICULTURE IS THE DOMINANT SECTOR IN BURMA'S ECONOMY AND PADDY IS GROWN ON 65 PERCENT OF BURMA'S TOTAL CULTIVATED AREA AND CONSTITUTES THE SOURCE OF THE COUNTRY'S MAIN FOODCROP AND ABOUT 50 PERCENT OF ITS FOREX EARNINGS. PADDY PRODUCTION HAS INCREASED ABOUT 2.8 PERCENT PER ANNUM OVER THE PAST FIVE YEARS TO AN AMOUNT LEVEL OF 9.2 MILLION M.T. THE TURN AROUND IN PRODUCTION TRENDS BEGAN IN 1972 WHEN PADDY PRODUCTION HAD MORE OR LESS STAGNATED. FAVORABLE WEATHER CONDITIONS AND THE RESPONSE OF FARMERS TO AN INCENTIVE ORIENTED PRICING POLICY LARGELY ACCOUNTED FOR THIS FASTER GROWTH RATE. THE AFPTC PROCURES ABOUT 30 PERCENT OF ALL PADDY PRODUCED IN BURMA UNDER A COMPULSORY QUOTA SYSTEM. ONCE FARMERS MEET THEIR QUOTAS THEY ARE LIMITED OFFICIAL USE

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FREE TO SELL THE REMAINING MARKETABLE SURPLUS EITHER TO THE LOCAL COOPERATIVE OR TO THE GENERAL PUBLIC. THE STATE OWNED MYANMA EXPORT IMPORT CORPORATION (MEIC) HANDLES BURMA'S RICE EXPORTS WHICH CURRENTLY AMOUNT TO 193,000 M.T. P.A. HOWEVER, THIS IS EXPECTED TO INCREASE TO 845,000 M.T. IN 1982. RICE MILLING, THEREFORE, IS AN INDISPENSABLE ACTIVITY IN BURMA'S RICE DOMINATED ECONOMY. BURMA PRESENTLY HAS OVER 3000 RICE MILLS WITH A COMBINED CAPACITY TO PROCESS ABOUT 7.8 MILLION TONS OF PADDY PER YEAR. IN ORDER TO MEET ITS DOMESTIC SALES DEMANDS AND EXPORTS THE GOVERNMENT ESTIMATES IT WILL NEED TO CONSTRUCT 17 NEW RICE MILLS FOR AN AGGREGATE CAPACITY OF 1230 M.T. OF WHITE RICE AND 150 M.T. OF PARBOILED RICE BY 1983. IN ADDITION, A LARGE NUMBER OF EXISTING RICE MILLS WILL HAVE TO BE RENOVATED AND OTHERWISE UPGRADED.

4. THE PROPOSED PROJECT WILL COVER THE NEXT PHASE OF THE GOVERNMENT'S LONG-TERM DEVELOPMENT PROGRAM IN THE RICE PROCESSING INDUSTRY. CONSTRUCTION AND RENOVATION OF THE RICE MILLS WILL BE CONCENTRATED IN THE RICE-SURPLUS AREAS OF LOWER BURMA (PEGU, IRRAWADY, AND RANGOON) AND IN ARAKAN AND SAGAING TO SUPPLEMENT THOSE FACILITIES

ESTABLISHED IN THESE AREAS UNDER THE ONGOING PROJECT. THESE REGIONS, TAKEN TOGETHER, ACCOUNT FOR ABOUT 62 PERCENT OF THE TOTAL AREA PLANTED TO PADDY AND AN ESTIMATED 70 PERCENT OF ALL PADDY PRODUCED IN BURMA IN CROP YEAR 1977. CONSTRUCTION OF STORAGE FACILITIES IS PROPOSED FOR THE RICE SURPLUS AREAS AS WELL AS IN THE RICE DEFICIT AREAS IN THE CENTRAL AND NORTHERN PARTS OF THE COUNTRY, NOTABLY MANDALAY, KACHIN AND SHAN. THE EXACT LOCATION OF THE PROPOSED FACILITIES IS TO BE EVALUATED IN TERMS OF TECHNICAL AND ECONOMIC CONSIDERATIONS, AND WILL BE DETERMINED BY THE CONSULTANTS TO BE ENGAGED UNDER THIS TECHNICAL ASSISTANCE.

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P 170930Z APR 78  
FM AMEMBASSY MANILA  
TO SECSTATE WASHDC PRIORITY 4938  
INFO AMEMBASSY RANGOON PRIORITY

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5. THE TOTAL COST OF THE STUDY IS ESTIMATED AT ABOUT 107,000 DOLLARS OF WHICH THE FOREX COST IS ESTIMATED AT 95,000 DOLLARS AND THE LOCAL CURRENCY COST OF ESTIMATED AT 12,000 DOLLARS EQUIVALENT. THE FOREIGN EXCHANGE COST IS PROPOSED FOR BANK FINANCING. THE LOCAL CURRENCY COST COMPONENT WOULD BE MET BY THE GOVERNMENT.

6. A TOTAL OF 10 MM OF CONSULTANT SERVICES OF FOUR EXPERTS IS REQUIRED FOR THE STUDY IN THE FOLLOWING SPECIALITIES: RICE MILLING SPECIALIST, 3 MM; STORAGE DRYING, HANDLING EXPERT, 2 MM; RICE BRAN OIL SPECIALIST,

2 MM; AND ECONOMIST/FINANCIAL ANALYST, 3 MM. THE BANK PLANS TO SELECT A CONSULTING FIRM TO PROVIDE THE EXPERTS. SELECTION OF THE FIRM WOULD BE UNDERTAKNE BY THE BANK IN ACCORDANCE WITH THE BANK'S GUIDELINES ON USES OF CONUQVNO CLOT MNTS. DETAILED TERMS OF REFERENCE ARE IN THE APPENDIX OF BANK DOC R35-78.

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7. THE AGRICULTURAL FARM PRODUCE TRADE CORPORATION, A STATE OWNED CORPORATION UNDER THE MINISTRY OF TRADE IS THE EXECUTING AGENCY. THE AGENCY IS LOCATED IN RANGOON AND IS RESPONSIBLE FOR THE GOVERNMENT'S PROGRAM OF PROCUREMENT, PROCESSING, TRANSPORT, STORAGE, DISTRIBUTION AND, THROUGH MEIC, THE EXPORT OF AGRICULTURAL PRODUCTS OF WHICH RICE IS THE MAJOR COMMODITY. BASED ON THE AGENCY'S FINANCIAL PERFORMANCE, THE BANK EXPECTS IT TO BE AN EFFECTIVE EXECUTING AGENCY FOR THE TA GRANT.

8. THE STUDY IS EXPECTED TO BEGIN IN MID-JULY WITH A FINAL REPORT EXPECTED BY THE END OF NOVEMBER 1978. A FIRST DRAFT REPORT, HOWEVER, IS EXPECTED AROUND MID-AUGUST. LEFES

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## Message Attributes

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